Forthcoming in *Oxford Review of Economic Policy*

**Stratification economics: Historical Origins and Theoretical Foundations**

*John B. Davis*  
*Marquette University and University of Amsterdam*

**Abstract**: Stratification economics (SE) investigates how economies are organized around group inequalities, especially by race and gender but also by ethnicity, national origin, religion, sexual orientation, etc. Its historical origins and theoretical foundations have both a structural strand that addresses how and a social behavioral strand. SE’s structural strand goes back to Ricardo and Marx regarding the relationship between growth and distribution, and then draws on recent economic theory of noncompeting groups and dual economy models of labor market segmentation. SE’s structural strand produces an inequality-based understanding of economics’ standard goods taxonomy. The social behavioral strand builds on Du Bois’s psychological wage concept, Veblen’s social ladders theory of emulation, Blumer’s theory of prejudice and stereotyping, and current social identity theory. SE’s social behavioral strand makes it possible to explain how discrimination selectively stigmatizes people’s social identities in order to reinforce existing intergroup inequalities.

**Keywords**: stratification economics, intergroup inequality, caste, social groups, Ricardo, Marx, Lewis, Du Bois, Veblen, Blumer, social identity theory, goods taxonomy, stigmatization, intersectionality

**JEL codes**: D31, D63, I31, J15, J16, Z13

Acknowledgements: The author is grateful for detailed and thoughtful comments from William Darity Jr., and David Vines, and an anonymous referee for this journal. Errors remain the author’s alone.
Stratification economics: Historical Origins and Theoretical Foundations

1. Introduction

This paper discusses the historical origins and theoretical foundations of stratification economics (SE). Its motivations are to identify what distinguishes SE from other approaches in economics, and to help give direction to the increasing number of empirical studies examining how discrimination and social exclusion operate in contemporary market economies, particularly with respect to race and gender. To do this, the paper discusses the origins and foundations of SE in terms of its macro-structural and micro-behavioral analyses. How these two sets of conceptual foundations are linked is argued to be central to the contribution SE makes to understanding the economy and to formulating progressive social policies aimed at eliminating social stratification and intergroup inequality.

SE was recently been identified as a distinctive economic approach (Darity 2005; also Darity 2022, ft. 1; Darity, Hamilton, and Stewart 2015, p. 378), but its origins and theoretical foundations have a longer history. Its distinctiveness as an approach reflects how it explains the connections between economic and social relationships and combines economics, sociology, and social psychology. From economics it draws on the Classical economics of David Ricardo and Karl Marx’s critique of it, W.E.B. Du Bois’s relative position thinking, Thorstein Veblen’s social ladders theory, and the noncompeting groups analysis of W. Arthur Lewis and others. From social psychology it draws on Herbert Blumer’s explanation of discrimination in terms of group prejudice and stereotyping, social identity theory’s explanation of in-group/out-group individual behaviors, and how stigma-identity-threat models tie stigmatization to social status and power relationships.

To frame the paper’s discussion of SE’s macro-structural and micro-behavioral analyses, section 2 first explains how hierarchical, class-based social group orderings function as caste-like structures. Caste is defined as a socially constructed, class-based ordering of social groups reinforced by micro-level behavioral relationships defended by high ranked social groups and represented as a natural order.

Section 3 on SE’s macro-level structural analysis first discusses how SE draws on and revises the Classical economic thinking of Ricardo and Marx’s sublation of Classical political economy regarding the relationship between economic growth and distribution and the importance of social groups. Second, it discusses the theory of noncompeting groups and dual economy models of segmented markets. Third, it describes how mainstream economics and SE’s different interpretations of economics’ standard goods taxonomy respectively obscure and clarify systematic social exclusion and intergroup inequality.

Section 4 on SE’s micro-level social behavioral analysis first discusses Du Bois’s psychological wage concept and relative position thinking, and then Veblen’s social ladders theory of emulation.
Second, it discusses Blumer’s post-WWII stereotyping explanation of discrimination in terms of social group prejudice. Third, it discusses social identity theory’s explanation of people’s in-group/out-group social identities and its connections to stereotyping and prejudice. Fourth, it links this all to stigma-identity-threat models to show how discrimination can be explained in terms of selective stigmatization of people’s different social group identities.

Section 5 concludes with brief discussion of the distinctiveness of SE and the challenges it faces as an approach that develops connections between economic and social relationships and combines economics, sociology, and social psychology.

2. **Caste and hierarchical orderings of social groups**

SE argues that societies with high levels of intergroup inequality employ caste-like social structures – whether by name or not – that explain much of this inequality. Caste is defined as a socially constructed ordering of social groups, falsely claimed by high ranked social groups to be natural, even biologically determined, actively perpetuated across time and generations. Individuals in high ranked social groups’ defense of such orderings creates social and economic advantages for themselves vis-à-vis other social groups. The claim that caste structures are natural functions as a justification for their groups’ special advantages and systems of social control. These justifications employ two main principles.

First, high ranked groups’ claims they naturally possess superior skills and abilities used to justify their wealth, power, and monopolies of economic and social positions constitutes a caste-based, economic (or political economic) productivity argument. Second, high ranked groups’ purportedly superior skills and abilities are said to be at risk of damage or erosion should high ranked individuals come into significant contact with low ranked individuals with their purportedly lesser skills and abilities. This adds a purity/social contamination corollary to their economic productivity argument that provides a rationale for the physical, economic, and social separation of social groups from one another, and in particular for the social segregation of low ranked social groups and their exclusion for many social activities and domains of life.

The purity/social contamination corollary is key to giving caste structures a self-justifying, self-fulfilling character since segregation limits low ranked groups’ access to social and economic resources, thereby reducing their economic productivity. In addition, when segregation becomes well-entrenched, it can become part of the psychologies of individuals in high and low ranked groups, leading both to see their social positions as just and deserved. Not only the former but also some members of the latter can then see caste structures as being in their interest. This thinking can also underlie social attitudes, the honoring of the former and dehumanization of the latter – the polar cases of Indian Brahmans and untouchables a preeminent example. Together, the productivity argument and its purity/social contamination corollary work behaviorally to enforce the hierarchical, structural ordering of social groups and reinforce the ideological claim that it has a natural or biological foundation.

As social constructions, caste systems have y possessed multiple forms, ranging from simple two-group orderings (e.g., gender caste systems in virtually all societies) to more complex many-group
orderings (e.g., societies with multiple ethnic groups). In the latter case, simple two-group relationships apply both between top ranked social groups and all lower ranked social groups and also in a cascading manner to between-group relationships across all lower social group orderings. Thus, caste systems are versatile in their ease of application to multiple types of social circumstances.

The chief concept underlying caste systems is social identity. There are two interrelated forms of social identity: social group identity and social relational or social roles identity. The social group form is central to how caste systems rank the categories, and where these rankings are strong they produce hierarchical and often exploitative social relational identities and role relationships between people. Both forms of social identity are part of individual or personal identity (Davis, 2024).

In the case of social identities, people’s individual identities include all the groups to whom they belong to and reflect the degrees to which they and others see themselves as belonging to each of them. In the case of social roles identities, people’s individual identities include all the different social roles they occupy in homes, work, communities, etc. In caste systems, peoples’ social identities, the degrees to which they are identified with them, and what this implies about social roles are a function of a society’s overall social group power relationships. In socially democratic systems, where social power is not monopolized by privileged groups, the social identities people have reflect in greater degree how they themselves identify with others, how they aim to organize their individual or personal identities, and how this influences their interaction with others in social role settings.

3. SE’s macro-level structural analysis

SE’s macro-level structural thinking goes back to Classical economists’ analysis of class and the organization of the economy in terms of different economic sectors. In later economics, this thinking led to dual economy models. SE builds on and develops these structural views emphasizing differences between social groups.

(i) SE and the economic thinking of Ricardo and Marx

Ricardo and Marx linked economic growth to the distribution of output, and argued existing class relationships worked to lower growth and weaken capital accumulation—in vastly different ways. For Ricardo, under subsistence wages, due to diminishing returns continual extension of the margin of corn cultivation raised agricultural rents, raised the real cost of wages, and lowered profit rates. The decline in the rate of profit leads the economic system to grind toward the stationary state. For Marx, with a rising organic composition of capital, the rate of profit tended to fall, and, thereby, depressed growth; this process depended on the struggle over control of surplus value between labor and capital.1

---

1 To be clear, Marx was not a Classical economist but rather saw himself as advancing a critique of Classical economics. Here I only note that he and Ricardo both placed emphasis on the functional distribution of income as central to explaining growth.
SE also makes distribution central to the explanation of economic growth, but makes two changes: it draws on history to show how the relationship between distribution and growth has varied according to the nature of class and social relationships, and it employs an understanding of class relationships that distinguishes different social groups within them.2

Crucial evidence for SE showing the relationship between distribution and economic growth varies according to the nature of class and social relationships comes from the history of the African slave trade and Caribbean plantation system and the pre-Civil War US North-South economy. Both demonstrated not only that distributional relationships need not limit growth, but also that high levels of inequality can be consistent with and even promote growth and capital accumulation.

For the African slave trade and Caribbean plantation system, Eric Williams (2021; see Darity and Mullen 2020, ch. 3; Piketty 2022, p. 55) showed that the nineteenth century Industrial Revolutions in Britain and France drew significantly from the profits this system generated. For the US North-South economy, while historians have debated whether slavery limited growth in the South, one thing reasonably clear is the North and South economies at this time were highly integrated, the economy of the North developed together with the economy of the South, and the US North-South economy was well integrated into an expanding Atlantic triangular trade system between Africa, Britain-France, and the US. Thus, the system of distribution with African slavery as a profit-driver at its center facilitated rather than limited economic growth (see Stelzner and Beckert, 2023).

SE’s more complex understanding of distribution distinguishes social groups within classes, and emphasizes that people’s social group and class positions can change over time. In the history above, social groups within the working class were made up of free white laborers, indentured white laborers, African slaves, and indigenous people, and a variety of subgroups within these groups. Their roles in the economies of the time were different, and as they evolved so did distribution-growth relationships. Thus, understanding of the nature of classes requires we understand and distinguish social groups within them. This has an important implication.

When we focus on the nature of relationships between social groups, we need to explain those relationships in terms of groups’ relative positions, or their positions vis-à-vis one another. Note that when we identify different social groups’ relative positions by their wealth compared to the wealth of other social groups, we see that a dominant social group’s wealth could fall but that group might still be relatively wealthier than other social groups if the other’s nominal wealth declined more. This could occur were dominant social groups able to pass the costs of declining growth onto other social groups.

The postbellum economy of the US South appears to illustrate this. The South in the 1865-1876 Reconstruction period experienced considerable economic decline, but, after Reconstruction ended, a new, transformed dominant social group emerged with many of the same advantages of

---

2 Marx also recognized that classes were differentiated by race and ethnicity, for example, in his US New York Tribune articles of 1852-1861 (Marx, 2008). In the final chapter of volume 3 of Capital, “Classes,” he also states that while “the three great classes of modern society” in England are wage laborers, capitalists, and landlords, that “stratification of classes does not appear in its pure form, even there.” He then initiates a discussion (not completed) beginning with the question, “What constitutes a class?” that refers to social groups (Marx 1909, pp. 1031-2).
earlier slaveholders (Du Bois, 1992 [1935]; Foner, 1988). Focusing on social groups within classes and their comparative position makes clear that the distribution-growth relationship allows for a variety of outcomes depending on groups’ changing relative positions.\(^3\)

Thus, while for SE the relationship between distribution and economic growth is central to how the economy works, just as it was for Ricardo and Marx, SE’s deeper explanation of social group-class structures and relative group positions improves our understanding of the distribution-growth relationship. This then calls for a general theory of social groups, foundations of which can be found in the theory of noncompeting groups.

(ii) Noncompeting groups theory and dual economy segmented labor market models

In the history of economics, noncompeting groups originally were associated with barriers to entry in labor markets that reserved employment in many occupations to small groups of people. The means by which these worked were customary entry rules, selective apprentice systems, personal connections, etc. Their justification was that insiders’ skills need to be protected in order to preserve their high quality – much like how in caste systems a purity/contamination productivity principle operates to justify separation between caste orders.

The term noncompeting groups was initially used by the Irish Classical economist John Elliot Cairnes in his explanation of the economic organization of different occupational categories (Cairnes 1874, p. 68). For him barriers to entry into skilled trades and professions were intended to maintain high wages John Stuart Mill believed such barriers were often so effective that they made the nature of many trades and professions “almost equivalent to a hereditary distinction of caste” (Mill, 1848, vol. 1, bk. 2, chap. 14, p. 480).

In early twentieth century Alfred Marshall argued technological change worked against barriers to entry and tended to break down the lines between noncompeting groups (Marshall, 1890, bk. 4, chap. 6, secs. 2-3). However, after WWII economists argued that trade unions and licensure practices created new barriers to entry and produced new kinds of noncompeting groups (Kerr, 1954; Dunlop, 1958). Then in the 1970s many economists argued that labor markets were also segmented by race, gender, and class (Doeringer and Piore, 1971; Cain, 1976, 1986; Gordon, Edwards, and Reich, 1982; Darity and Mason, 1998; Blau and Kahn, 2000). Economies were thus segregated not only by profession and occupation but also by social group status.

The dual economy models that emerged from this shift to society-wide divisions between social groups added a macro-level, economy structure focus to the original theory of noncompeting groups micro-level market focus. A transition figure was W. Arthur Lewis who advanced such a theory in his dual sector model of developing nations’ economic growth (Lewis 1954).

---

\(^3\) In more recent experience, the post-apartheid South African experience is similar. South African whites have remained a relatively dominant group in terms of wealth and power despite weakened South African economic growth. Much the same holds in India in regard to dominant social groups in its caste-based reparations system (Deshpande, 2011).
Lewis’ model follows Ricardo in arguing growth is limited by the existing system of distribution. Growth is facilitated when this system changes and capital able to accumulate. Lewis assumed that developing nations could draw on perfectly elastic supplies of ‘surplus’ labor from their non-capitalist, rural, subsistence sectors. Rural, non-wage-based labor prior to this was a noncompeting group (though not named this by Lewis), with the barrier to its employment in capitalist production its rural location (not exclusionary rules and practices). It would cease to be a noncompeting group when it migrated to urban areas, capital production, and wage-based employment. Economic development occurred when all individuals from a noncompeting economic sector left it, and the developing economy’s dual sector development ended.4

In much of the development literature initially influenced by Lewis, this process was optimistically expected to continue until all individuals willing to move to urban areas and wage-based employment had done so (and labor supply ceased to be completely elastic). Yet the history of post-WWII developing nations has not followed this path. Most have failed to absorb all rural migrants into a single modern employment sector, as a result producing two urban labor groups, those with high wages in the premier capitalist sector and those in a more tenuous semi-wage-based sector relying significantly on subsistence production, both located now in crowded urban environments. Developing nations’ dual sector development has continued, albeit on a transformed basis, with new structures of noncompeting social groups in urban areas, thereby demonstrating the persistence of dual sector development under capitalism and the different opportunities for different social groups.

Lewis subsequently turned his attention to the US, a developed economy that had seen rural populations move to urban areas much earlier. What was distinctive about the US case was that many of those who moved into urban areas and failed to be absorbed into capitalist production were the descendants of former slaves, thus extending that past system of racial segregation and oppression and its successor forms from rural to urban areas. Noncompeting groups in urban areas particularly by race then became part of post-WWII US economic development.

Lewis (1985) accordingly moved away from his earlier development model to rely instead on the more recent social segmentation of labor markets approach which emphasized how social and economic segregation had always existed in the US, not only in connection with race but also for indigenous peoples, Spanish speakers, Irish, Italians, Eastern Europeans, Asian groups, and women of all backgrounds. In this framework, he explicitly adopted the concept of ‘non-competing groups’ and judged them to be ‘functional’ to capitalist economic growth (Darity, 2001), a view that recalled Marx’s reserve army of labor.5

Dual sector economic development in this structural sense is central to SE’s emphasis on how economic growth and development preserve and depend on institutionally constructed hierarchical

---


5 For Marx a reserve army of labor was central to all capitalist economic development. See Boianovsky (2019, pp. 123-5 and the references therein) for the influence of Marx on Lewis. See Marglin (2019) for the argument that Lewis’ dual sector model and the reserve army of labor concept apply to all of capitalism.
relationships between social groups. One key means by which this is achieved for SE is by extending the principle of noncompeting groups from markets to pre-market stages of life (Darity 2001). When education and training opportunities for some social groups are limited and curtailed, this ensures that their future labor market participation is restricted to low wage occupational domains (Chelwa, Hamilton, and Stewart 2022). This effectively gives dominant social groups de facto ‘property rights’ in their privileged economic status, for example for dominant white social groups in the US, a property right inhering in their being white (Harris, 1993).

Altogether, this gives us a broader, deeper understanding of the nature of the relationship between economic growth and distribution such as is increasingly being discussed in terms of well-observed patterns of intergenerational wealth accumulation. What we see in this regard is that high ranked social groups consistently achieve significant wealth accumulation over time while low ranked social groups accumulate little – a caste-sustaining property of economic systems built on a social structural system of noncompeting groups (Darity, Hamilton, and Stewart 2015).

(iii) SE’s re-interpretation of economics’ goods taxonomy

Economics’ standard goods taxonomy (see below) distils economics’ understanding of the different kinds of goods and services that market economies produce and consume, distinguishing them according to whether their use is excludable or non-excludable and rivalrous or non-rivalrous. Excludability concerns whether people’s access to goods is limited or not, and rivalrousness concerns whether one person’s use of a good limits another’s use of it.

**Economics’ goods taxonomy**

<table>
<thead>
<tr>
<th></th>
<th>Excludable</th>
<th>Non-Excludable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rivalrous</strong></td>
<td>Private goods</td>
<td>Common pool goods</td>
</tr>
<tr>
<td><strong>Non-rivalrous</strong></td>
<td>Club goods/local public goods</td>
<td>Public goods</td>
</tr>
</tbody>
</table>

Underlying this classification of goods are four different types of social relationships between people involved in producing and using these different kinds of goods. Rivalrous and excludable private goods, the principle focus of mainstream economics, are produced and exchanged by asocial individuals in free, competitive markets, the social foundation of which is the institution of private property. Non-rivalrous and non-excludable government-provided public goods depend
on shared social relationships between people and political institutions that limit private property rights.

Since the supply of public goods is seen as a response to the existence of welfare-reducing market externalities, most mainstream economists see public goods as a ‘necessary evil.’ This both implies that government-provided public goods constitute a deviation from how economies ought to work through markets, and that where possible government-provided goods ought to be reduced in number and markets allowed to expand. That is, ultimately the production and exchange of goods by asocial individuals fully explains social relationships in market economies.

Largely neglected in this emphasis on private and public goods are the club goods and common pool goods cases and the social relationships involved. These cases are especially important to SE because they invoke social group relationships and challenge the view that the interaction of asocial individuals explains how economies work.

The non-rivalrous, excludable club good concept was originally modelled on exclusive social organizations, men’s clubs, elite sports clubs, etc. (Buchanan, 1965), but its more important use in economics today is the local public goods idea. Local public goods are provided by governments below the national level. Yet when we focus on how local governments have historically operated in the US, we see that providing local public goods has often involved segregating communities by social group status, especially by race and ethnicity.

The segregation mechanisms they employ – zoning rules, housing discrimination, ‘neighborhood’ school, etc. – are means of exclusion that reserve desirable communities and neighborhoods to individuals from social groups privileged to live in them. Local public goods, then, indeed provide exclusive ‘club’ goods for those in these types of clubs, and, contrary to the idea that the principle of scarcity explains all of economic life, for them a principle of abundance applies.

In stark contrast, rivalrous, non-excludable common pool type goods exist wherever a Hobbesean ‘war of all against all’ exists, and where the principle of scarcity operates for most people in an unmediated, relentless manner. When we focus on the most vulnerable individuals in the market economies, those whose circumstances are risky and precarious, we find they generally come from low-ranked social groups. These are individuals with low wage jobs, inadequate housing, little healthcare, and poor education. Compared to those from privileged social groups who have the opposite of all these, and for whom a principle of abundance applies, for individuals in common pool goods type circumstances only the principle of scarcity applies.

A SE interpretation of the goods taxonomy, then, focuses on the social disparities between those who enjoy all sorts of ‘club’ goods and those who face poverty in common pool circumstances. Rather than the asocial individuals the mainstream emphasizes with its ‘free’ market focus, for SE the production and use of goods reflects relationships between social groups and the inequalities they involve. This underlies SE’s employment of dual economy and labor segmentation models that emphasize how economies are organized in caste-like ways around noncompeting groups. Instead of obscuring these social group relationships as does the mainstream, SE makes them the basis of the market system, thereby making social stratification central to how market economies function.
4. SE’s social behavioral strand

SE’s social behavioral strand focuses on the micro-level of an economy, but in contrast to much work in economics at this level SE examines mechanisms that are specifically of a non-market social nature. This SE’s social behavioral strand a number of different foundations, but one thing they share is an emphasis on the self-reinforcing character of social norms. Social norms are informal usually unwritten, self-reinforcing rules of behavior governing what groups of people believe is acceptable behavior (see Young, 2015). The discussion below lays out how the different ideas reviewed produce a general understanding of social stratification in terms of behaviors people adopt in economies that are stratified by social groups.

(i) Du Bois’s psychological wage concept and idea of relative group position

One of Du Bois important contributions was to explain wage determination in social institutional terms rather than abstract asocial terms. Du Bois studied at the University of Berlin where he was influenced by Gustav Schmoller and Adolf Wagner’s German historical school critique of Classical economics (Morris 2015, 19ff; Prasch 2008; Stewart 2022). The Classical wage concept describes a pure market transaction between individuals whose social characteristics are ignored. However, Du Bois argued that in the post-Civil War US the social characteristic of being white and “not black” produced a “public and psychological wage” form of “compensation” for poor whites additional to their cash wage payments (Du Bois 1935). As a non-monetary form of compensation, it allowed white employers to pay white workers lower cash wages than they would have had to pay were being “not black” of no value. Black workers’ wages were also generally less than even the cash wages of the poorest white workers. It followed in this system that wherever possible employers would reinforce the divide between white and black workers to keep total wages down. Further, since poor whites occupied a social group position between better off whites and blacks, this supported an overall hierarchy of social groups in the post-Civil War US in which social groups positions were relative group positions.6

Du Bois’s idea of relative social group position, then, had two connected dimensions that SE investigates: an intergroup dimension and an intragroup dimension. People “gain greater satisfaction the higher the status of the social group with whom they identify, and they gain greater satisfaction the higher their personal status within the social group with whom they identify” (Darity 2022, p. 3). For Du Bois, poor whites benefitting from being “not black” involved the intergroup relative dimension, while rich whites benefitting from their position vis-à-vis poor whites involved the intragroup relative dimension.

Du Bois showed clearly that within broad class relationships – between white and black and between rich and poor – there existed differentiated, interconnected social group structures that worked to sustain broad class relationships. He also emphasized how these structures changed

---

6 For Du Bois’s detailed sociological study of the relative positions of different black social groups in Dougherty Country, Georgia in this same period, see Du Bois (2019, pp. 91-109).
over time, particularly in the tumultuous pre/post-Civil War transition in US history, and thus that individuals’ relative positions could change within these structures over time.

This points us to two different identity change issues investigated in SE: people’s potential mobility and migration across groups – and the degree of permeability of barriers permitting this – and their potential mobility and migration within groups – and the permeability of barriers permitting this. In regard the cross-group mobility, when racial discrimination limits employment, education, and housing opportunities for blacks, SE has investigated this is in terms of a “racial transactions cost” or a negative production externality associated with crossing or attempting to cross social group barriers (Goldsmith et al, 1997; Stewart, 2010). In regard to the within-group mobility issue, SE has investigated this is in connection with the emergence of a black middle class in the US, a social group having advantages relative to poor blacks but disadvantages relative to most whites (Frazier, 1957; Darity, 2020).

Another early explanation of within group mobility contemporaneous with Du Bois’s analysis is Veblen’s social ladders theory of emulation. Veblen was also influenced by the German Historical School. His social ladders theory addresses the behaviors that lie behind individuals’ within-group mobility or lack of it, and raises the question: does mobility weakens or strengthens social stratification?

(ii) Veblen’s social ladders theory of emulation

Veblen’s social ladders idea is based on the existence of a hierarchical ordering of relative social group positions (1899). He argued people lower on social ladders seek to climb those ladders by emulating the consumption of people higher on those social ladders, where the consumption they emulate is determined by higher ranked individuals’ conspicuous consumption. The material consumption of lower ranked individuals who engage in emulation is then lower than it would be had they not done so. Though they perceive emulating people higher on social ladders compensates them for their lower status, as with Du Bois’s psychological wage analysis, this is a non-monetary form of consumption that is costly that subtracts from material well-being.7

Thus, to answer the question above, lower ranked individuals attempts at upward within-group mobility reinforces rather than weakens social stratification. The non-monetary component of Du Bois’s psychological wage and Veblen’s emulative consumption act as barriers to social mobility and help sustain the relative advantages of higher ranked social groups. For both Du Bois and Veblen, then, economic categories cannot be understood abstractly apart from their social dimensions as in Classical economic thinking. Classical and Neoclassical economic thinking rule out the whole issue of individual mobility across social positions.

Veblen’s emulating others higher on a social ladder has another psychological dimension explored in SE: the desire to avoid being at the bottom of the ladder, or ‘last-place aversion’ (Kuziemko et al. 2014). Du Bois made this central to his analysis of poor whites. Veblen emphasized it in

---

7 For recent research on the degree to which people can change their social status according to the permeability of boundaries between social ranks, see Ellemers et al., (1990). For an extension of Veblen’s analysis of conspicuous consumption analysis to stigma-identity-threat models, see Srikanth and Dey (2023).
connection with emulators’ aspiring to climb above low social positions. For both, people’s dissatisfaction with failing to improve one’s identity location can be less important than their fear of it worsening. 

Veblen also wrote about the status of women, a complicated matter because women occupy both high and low ranked social positions but in being barred in his time from most employment and owning property, and generally limited to family raising activities, they were always lower ranked than men. How could women from high ranked groups be low ranked individuals at the same time? Veblen’s answer was that women have the same social ladder motivations as men, but frame their emulative behaviors and status-seeking by the men to whom they are socially attached. Veblen believed this association effectively made them the property of men, who he noted have historically treated women as trophies in their own status-seeking (Veblen, 1899, p. 4).

Women, thus have two social group identities: a within-group social identity determined by the social group position of the men with whom they are associated and a cross-group social identity when we see men and women as distinct social groups. This points us to the concept of intersectionality, or having multiple social group identities, which is discussed below in connection with SE’s adoption of social identity theory.

(iii) Social stratification theory and Blumer on prejudice and stereotyping

Social identity theory has as its foundation two prior developments in sociology and social psychology: social stratification theory and prejudice and stereotyping analysis. Social stratification theory describes how societies are constructed around hierarchical social structures; prejudice and stereotyping analysis explains how those structures incorporate mechanisms that discriminate against individuals by social group status.

Early theories of discrimination explained it individualistically in terms of individuals’ prejudicial attitudes towards other individuals (Allport 1954, Becker 1957). Blumer, however, rejected the individualistic interpretation, and explained discrimination in terms of entrenched prejudicial attitudes in social groups toward other social groups, thus shifting thinking, in particular in the case of race, “from a preoccupation with feelings as lodged in individuals to a concern with the relationship between racial groups” (1958, p. 3). Then Blumer argued, prejudice manifests itself in stereotyping behavior whereby individuals are stigmatized according to their social group status. Subsequently Goffman (1963) described stigma as the assignment of a socially discredited attribute to individuals that ‘spoiled’ their actual identities.

Then, when a set of prejudicial beliefs becomes strongly embedded in a society, social prejudice can become institutionalized as a self-reinforcing social practice. Stereotyping can be defined as when all individuals in a social group are all assigned certain negative characteristics (behavioral, inherited, dispositional, etc.) irrespective of their individual characteristics. Once they are ‘seen’

---

8 The heuristics and biases behavioral economics program reproduces this asymmetry between gains and losses with people being more concerned with the latter (Kahneman and Tversky, 1979).

9 For contemporary feminist thinking in the Veblenian tradition emphasizing how mainstream economic thinking treats the gendered private-public dualism in economic life as normal and natural, see Waller and Wrenn (2021).
to have these negative characteristics in the eyes of stereotypers, whatever they do confirms these prejudicial attitudes, and thereby produces a basis for discriminatory practices in employment, education, housing, etc.

For the intergroup and intragroup dimensions of people’s relative social group positions, Blumer also draws a connection between the two by emphasizing how practices such as stereotyping lock in prejudice as an accepted behavior on the part of dominant social groups. This raises two important questions that social identity theory addresses. Why do individuals attach themselves to social groups in the first place? And, how are we to explain individual identity when people have social identities?

(iv) Social identity theory and selective stigmatization

The answer to the first question came from the famous Robbers Cave experiment (Sherif et al., 1954/1961; Sherif, 1956), and the emergence of realistic conflict theory in social psychology (Baumeister and Vohs 2007). The Robbers Cave experiment showed that individuals in risky, uncertain, perceived zero-sum type circumstances can organize themselves into antagonistic social groups, act as they believe their own groups’ interests require, and cease to behave as independent individuals. Realistic conflict theory then describes how in circumstances of intergroup conflict dominant social groups work to control subordinate social groups.

Social identity theory developed on this foundation to explain the behavior of individual members of social groups. When individuals act in the interest of the groups they belong to, they see their group’s interests as their ‘own’ interests, and their individual identities then get subsumed within their social identities. Rather than act in an asocial, group-independent way as mainstream economics’ utility function analysis assumes, they are motivated by pro-in-group and anti-out-group interests (Tajfel and Turner 1979), thus effectively acting as representative agents of the groups they belong to. The social identity literature is now quite extensive, particularly in regard to intersectionality and people having multiple social group identities where the interests of different groups individuals belong to can conflict. This complicates explanations of social stratification adding additional dimensions to Du Bois and Veblen’s thinking regarding the intergroup and intragroup dimensions of people’s relative social group positions.

In answer, then, to the second question above, people’s individual identities are thus partly social where to what degree and how depends on social context. When we focus on only single social group attachments in circumstances of significant intergroup conflict, individuals’ social identity motivations may fully replace their independent individual identity motivations. When we emphasize intersectionality, where there exists “a continuous interplay, often competitive, sometimes collaborative or cooperative, between social groups motivated by the collective self-interest of their respective members” (Darity 2022, p. 3), their ties to particular social groups are mediated by possible conflicts between them, and in managing these conflicts their individual identities can become more prominent.

Indeed, they even may adopt pro-out-group interests and anti-in-group interests (Craemer, 2024). Behaviorally speaking, then, while in the single group attachment case, pro-in-group and anti-out-
group orientations are sufficient explanations of much individual behavior, in the intersectionality, multiple group case motivations require more complex behavioral analysis. In both cases, individual identity nonetheless has a socially embedded character which mainstream utility function analysis fails to capture (Davis, 2024).

Intersectionality in connection with Blumer and Goffman’s explanations of social identity stereotyping provide the basis for stigma-identity-threat models which tie stigmatization to social status and power relationships (Steele, 1997; Link and Phelan, 2001). One way to explain how discrimination reinforces social group hierarchies is through ‘selective stigmatization’ of social identities. Suppose individuals from dominant social groups in positions of power, for example in workplaces, act in ways that favor some of subordinates’ social group identities and disfavor others they have. Those favored are social group identities that impose less risk to dominant social groups were discrimination moderated. Those disfavored and stigmatized are those whose social group identities pose greater risk to dominant social groups were discrimination moderated. Favoring the former has another advantage for dominant social groups. It allows them to claim they do not engage in social discrimination, thus suggesting discrimination need not be addressed while masking where addressing it poses the greatest risk of weakening social hierarchy.¹⁰

Not only, then, does intersectionality not act to reduce social group inequalities as might be argued (Davis, 2015), it also provides new opportunities for dominant social groups to maintain them by exploiting an old, time-tested dominant social group ‘divide and conquer’ strategy – a strategy that traditionally pits different groups of people against each other and now additionally pits individual people against one another. A practice of selective stigmatization, that is, reinforces macro-level social group orders.

5. **SE’s distinctiveness as an approach**

SE’s distinctiveness as an approach derives from how it combines important currents in economics, sociology, and social psychology to explain how economic and social relationships are interconnected in socially stratified economies. Yet SE’s strengths in combining these different fields is not well appreciated by many researchers in these fields. In economics’ *Journal of Economic Literature* classification system, SE is placed in the residual category Z (‘Other special topics’) and Z1(‘Cultural Economics; Economic Sociology; Economic Anthropology’), despite its engagement with fundamental issues in economics and the history of economics regarding how economies work. While sociology has a Social Stratification subfield that has influenced the development of stratification economics, the subfield of Economic Sociology largely examines asocial, mainstream economics concepts that ignore social stratification. Social psychology with its emphasis on social identity shares much at the micro-social behavioral level with SE but rarely do its practitioners consider the material character of social group relationships that are the main concern of SE.

It is worth noting, then, that the contemporary disciplinary separation of these fields existed less before the twentieth century and before the emergence of the academic professionalization of the

---

¹⁰ For the evidence and a fuller discussion of how selective stigmatization reinforces social group inequality by race and gender in the current U.S., see Davis (2022).
social sciences and institutionalization of scholarly disciplines as independent research fields. Their separation has the advantage that it promotes specialization in research, but the disadvantage that it also limits and may distort researchers’ understanding of the connectedness of economic and social relationships by encouraging them to produce explanations that focus on one domain or another as if relationships between them can be set aside. From this perspective, SE is modeled on the earlier history of the social sciences.

This then raises the question: will interdisciplinarity continue to decline in the social sciences or might it instead increase in the future as a response to concerns regarding over-specialization? While we can only speculate, there is one fairly clear reason to think interdisciplinarity will increase in the social sciences, namely, researchers may recognize that many of the most serious problems contemporary societies face are not adequately addressed in a fragmented social sciences.

Specialization by nature abstracts from the broader scientific frameworks from which it arises. However, the long history of science has shown that progress in science not infrequently overturns established theories and assumptions. Then, new theories and assumptions are adopted, and specialization re-begins from new starting points. Thus, the question facing SE is whether its distinctive investigation of the combined macro-level and micro-level determinants of social economic stratification will influence researchers in the fields it draws upon, economics in particular, to give up some of the conventional theories and assumptions they have relied upon and initiate lines of research closer to SE.

What main theories and in economics might be at issue? One fundamental assumption in the mainstream today is that caste-like social inequality and intergenerational immobility essentially does not exist in developed market economies. Indeed, the theory standard in mainstream economics that makes this assumption is that markets work through interaction between essentially asocial individuals whose social characteristics do not matter, implying that markets constantly break down social inequality.

Against this, SE argues that caste-like inequality and intergenerational immobility exist in most societies and economies are stratified by race, gender, and other social group differences. Thus economies need to be explained in terms of how they sustain and reinforce systems of inequality and structures of social stratification that work across all levels of society. SE is distinctive in making this argument for economics lies in how it builds on research from economics, sociology, and social psychology. To help improve SE’s contribution in this regard, this paper has outlined the origins and foundations this interdisciplinarity has produced to make clear the distinctiveness of SE in explaining why social inequality underlies how economies function.

References


